

EXECUTIVE SESSION

M E M O R A N D U M

December 4, 1975

TO: BOSTON REDEVELOPMENT AUTHORITY

FROM: ROBERT T. KENNEY, DIRECTOR

SUBJECT: SOUTH END PROJECT - MASS. R-56
Establishment of Fair Market Value - Certificate #68
Parcel Nos. 556-4, 4A, 4B - Parcel No. 556-5
40-50 Bristol St. 60 Bristol St.
440-442 Harrison Ave.
Rear 434 Harrison Ave.

It is requested that you approve and certify the fair market value of the parcels listed on the attached certificate.

The parcels listed have been appraised by two qualified, independent appraisers, under the supervision of the Real Estate Director, in accordance with applicable state law, the Real Property Acquisition Policies Act of 1970, Public Law 91-646, and the Department of Housing and Urban Development policies and requirements.

The Real Estate Director is of the opinion that the prices for these parcels are reasonable estimates of their fair market value.

The Chief General Counsel approves as to form.

RESOLUTION OF THE BOSTON REDEVELOPMENT AUTHORITY
RE: ESTABLISHMENT OF FAIR MARKET VALUE IN
SOUTH END URBAN RENEWAL AREA - MASS. R-56

WHEREAS, the governing body of the Authority (the Board) at a regular meeting on April 19, 1973, adopted a Resolution, entitled "Resolution of the Boston Redevelopment Authority Relative to the Establishment of Fair Market Value for Properties to be Acquired", and

WHEREAS, the parcels were appraised by at least two independent fee appraisers, were reviewed by staff appraisers, and the values recommended by the Real Estate Director and approved as to form by the Chief General Counsel;

NOW, THEREFORE, BE IT RESOLVED BY THE BOSTON REDEVELOPMENT AUTHORITY: THAT, the Fair Market Value of the parcels listed below are hereby established:

<u>Parcel No.</u>	<u>Owner</u>	<u>Price</u>
556-4, 4A,4B	Ercon Construction Corp.	\$64,300
556-5	Ercon Construction Corp.	\$28,700

COMMENTS

PROJECT NO. SOUTH END MASS. R-56

Certificate No. 68

ADDRESS: 40-50 Bristol St.
440-442 Harrison Ave.
Rear 434 Harrison Ave.

ADDRESS: 60 Bristol St.

OWNER: Ercon Construction Corp.

	Parcel # 556-4, 4A, 4B		Parcel # 556-5	Parcel # 556-4, 4A, 4B
Assessment	\$ 59,800		\$26,100	\$ 85,900
First Appraisal	131,100	D.Cary	-0-	131,000
Second Appraisal	65,000	J.Kiley	12,500	77,500
Third Appraisal	55,000	R.Gallagher	30,000	85,000
Rec. Max. ACq. Price	\$ 64,300		\$28,700	\$ 93,000

Parcel 556-4, 4A & 4B

The three parcels are contiguous and should be appraised as one. The first appraiser establishes separate valuations for each parcel. The other two treat the three parcels as one entity.

Parcel 4 is a vacant lot of land at the corner of Harrison Ave. and Bristol St. The lot contains 6,806 sq. ft.

Parcel 4A is a vacant interior lot located at the rear of 434 Harrison Ave. It fronts on a public alley and contains 2880 sq. ft. of land.

Parcel 4B is a rectangular lot containing 9646 sq. ft. of land improved with two attached four-story brick buildings interconnected on all floors. The buildings are numbered 40 and 50 Bristol Street.

The buildings were formerly occupied by the Hub Laundry Co. They have been vacant since 1969 when the Ercon Construction Corp. purchased and the laundry business was closed down. Although structurally sound, the buildings are in deplorable condition as a result of being open to the weather, vandalized and stripped of mechanical plumbing, heating and electrical components, hardware, etc.

The appraisers used the approach of estimate, the value of the property after rehabilitation for commercial or light manufacturing use and deducting therefrom the cost to rehabilitate. The cost to rehabilitate was furnished by John J. Gill Associates, Inc. The variance in the valuation estimates results from difference in the appraisers' income and expense estimates and capitalization rates.

The first appraiser estimated separate values of \$18,500 for Parcel 4, \$5,300 for Parcel 4A and \$107,300 for Parcel 4B. The three estimates total \$131,100. His opinion of the rental value of the rehabilitated space is considerably higher than that used by the other two appraisers. His tax expense is approximately \$2,800 per year less because he does not include the real estate taxes on the two vacant land parcels (a capital value differential of over \$26,000). Another meaningful difference is his capitalization rate of 10.65% as compared to the 12% rate used by the other two appraisers. (The difference in capital value between the two capitalization rates is approximately \$17,000.)

The second appraiser predicates his opinion on the premise that the three parcels would be purchased and utilized as one property with the vacant land being used for parking by the occupants of the buildings. His estimate of gross rental value for the rehabilitated structure, and including the use of the vacant land, is \$33,000 per year - approximately \$6,500 below the first appraiser's estimate which did not include use of the vacant land by the occupants of the building.

The third appraiser adopts the same approach as the second. He considers the three parcels as one property. His gross rental value estimate is \$35,320 for the rehabilitated structures. However, his expense estimates are higher than the second appraiser's - which accounts for his lower value.

In my opinion, the fair rental value of the rehabilitated structure is \$35,000; the total expenses and vacancy allowance \$22,000 which leaves a net income of \$13,000. At a capitalization rate of 12%, a value of approximately \$108,000 is indicated for the property after rehabilitation. After deducting the cost to restore the property (\$43,700), an "as is" market value of \$64,300 is recommended.

PARCEL NO. 556-5

This parcel is improved with a four-story brick structure originally constructed in 1898 as a Fire Department Training Center. Attached to the main structure on the easterly side is a bell tower which was used in the firemen's training program. In recent years, the building had been utilized for warehousing and office functions.

For the past three or four years, the building has been vacant and, as a consequence, has been vandalized to a considerable extent.

The appraisers use the same technique as was employed for the appraisal of Parcel 556-4, 4A, 4B, i.e., estimated the value of the property after being rehabilitated and deducted the cost to restore the property. The cost to restore was furnished by John J. Gill Associates, Inc.

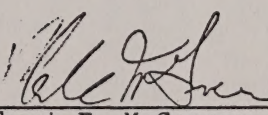
All three appraisers are of the opinion that the value after rehabilitation is less than the cost to restore. Consequently, all conclude that it is infeasible to rehabilitate for warehousing or light manufacturing in accordance with the cost program outlined in Mr. Gill's report.

The first appraiser is of the opinion that the property has no value because the cost to demolish the structure exceeds the underlying land value.

The second appraiser's estimate of \$12,500 represents land value, less the cost of demolition. His opinion of the value of the land is substantially higher than that of the first appraiser.

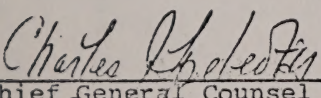
The third appraiser, using the engineer's cost to rehabilitate for warehousing or light manufacturing, comes to the same conclusion as the other two appraisers, i.e., that it is not economically feasible to restore the property for this use. However, he believes that the highest and best use of the property is for storage use only which will not necessitate the more complete renovation program upon which Mr. Gill's report was based.

In my opinion, the highest and best use of this parcel is for a storage warehouse type facility with less costly specifications than contemplated under the program detailed in Mr. Gill's report. Accordingly, I concur in general with Mr. Gallagher's conclusions and recommend a value of \$28,700.



Robert E. McGovern
Real Estate Director

Approved as to form:



Chief General Counsel

